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Egypt

Tobacco and Products

Annual

2004

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Report Highlights:

Cigarette prices in Egypt increased by 25 percent in January 2004 due to devaluation of the Egyptian pound. Egypt's total tobacco imports in 2003 were slightly less than 2002, but imports are expected to increase in 2004.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo [EG1]
[EG]

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PSD Table

PSD Table

Country:

Egypt

Commodity:

Tobacco,
Unmfg.

Market Year Begin	2002		2003		2004	
	Old	New 01/2001	Old	New 01/2002	Old	New 01/2003
Area Planted	0	0	0	0	0	0
Beginning Stocks	42846	42846	47782	47782	0	52322
Farm Sales Weight Prod	0	0	0	0	0	0
Dry Weight Production	0	0	0	0	0	0
U.S. Leaf Imports	0	545	500	0	0	0
Other Foreign Imports	57500	62890	60000	62876	0	63000
TOTAL Imports	57500	62890	60500	62876	0	63000
TOTAL SUPPLY	100346	105736	108282	110658	0	115322
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	0	0	0	0	0	0
U.S. Leaf Dom. Consum.	0	230	250	100	0	50
Other Foreign Consump.	55000	57954	59349	58336	0	65050
TOTAL Dom. Consumption	55000	57954	59599	58336	0	65050
TOTAL Disappearance	55000	57954	59599	58336	0	65050
Ending Stocks	45346	47782	48683	52322	0	50272
TOTAL DISTRIBUTION	100346	105736	108282	110658	0	115322

Production and Utilization

The public sector continues to maintain a monopoly on cigarette production in Egypt. The Eastern Tobacco Company (ETC) has been the sole manufacturer of cigarettes since it merged with the El-Nasr Tobacco Company in 1984. Both the public and private sectors, however, import and manufacture tobacco. About two-thirds of total tobacco consumption in Egypt is used to manufacture cigarettes. The remaining one-third is used for "moassil," or water-pipe tobacco production. Private sector processors produce all the water pipe tobacco in Egypt.

The production of most domestic brand cigarettes is based on blends consisting of about 50 percent flue-cured tobacco, 25 percent burley tobacco, and 25 percent oriental tobacco. Flue-cured tobacco is the major type of tobacco utilized by ETC. The ETC is a highly price-conscious buyer. As a result, to the extent possible, it will substitute lower-cost burley and flue-cured tobaccos from other sources for U.S. tobaccos.

Domestic cigarette brands comprise over 95 percent of Eastern's production. The remaining 5 percent consists of foreign brands (mainly Philip Morris and R.J. Reynolds) manufactured by Eastern under agreements with the parent companies. In 2001, the company utilized 300 MT of U.S. flue-cured tobacco for the production of its local cigarette brands.

The majority of water-pipe tobacco is a blend of dark fire or air cured tobaccos and while the other tobaccos is mainly burley, and molasses. The production of fragrant water-pipe tobacco (apple, mint and citrus flavors) has been rising in the last few years.

Trade

The ETC is responsible for about 80 percent of Egypt's tobacco imports. The remainder is imported by some 20-30 private sector companies for processing into water-pipe tobacco. Although the ETC increased local brand cigarette price by about 25 percent in January 2004, weak consumer purchasing power, combined with increased import costs as a result of the devaluation of the Egyptian pound, has forced Eastern to increasingly focus its attention on lowest-cost sources. In the past, ETC was a major buyer of U.S. tobacco. However, for the last several years, public and private sector importers have turned to cheaper sources of tobacco. In 2003, total tobacco imports were slightly lower than in 2002. Tobacco imports in 2003 are projected to decrease slightly because ETC's stocks increased an estimated 38 percent last year. Although the ETC prefers U.S. tobacco for its quality and flavor, the gap between U.S. tobacco prices and the price of other foreign tobaccos has increased significantly over the last few years. In 2002, Malawi, Italy, Greece and China were the major suppliers of tobacco to Egypt.

Prices for imported tobacco in May 2003 were reported as follows (per Kg/C&F): Malawi \$2.4, China \$2.3, Greece \$3.9 and Italy \$1.7 compare to \$ 2.4, \$ 2.26, and \$2.00 , respectively, during the same period last year.

Stocks

ETC officials indicate that in 2003, company equaled to about 10 months of production requirements. For technical reasons (aging), Eastern would like to maintain stock levels sufficient to cover two years of production. Stocks below four months of production are considered to have reached a critical level.

Import Tariffs

According to Presidential Decree No. 351 of 1986, as amended in 1989 by Presidential Decree No. 205, import tariffs on tobacco are as follows:

Unmanufactured: Leaf - LE 9.00/kg for private sector imports, and - LE 6.10/kg for public sector imports (\$1 =LE 6.20).

Manufactured: cut, pressed, or for chewing: LE 9.00/kg. Tariffs are rebated on exports of cigarettes and water-pipe tobacco.

Import Trade Matrix

Import Trade
Matrix

Country: Egypt Units: MT

Commodity: Tobacco,
Unmfg.

Time period:

Imports for 2002 2003

U.S. 545 U.S.

Others Others

Malawi	13,458	Malawi	12,428
Italy	8,405	China	10,546
Greece	6,828	Greece	6,160
China	6,779	Italy	6,003
Brazil	5,361	India	4,986
Bulgaria	3,379	Brazil	4,954
Zimbabwe	2,975	Bulgaria	3,829
Macedonia	2,392	Macedonia	1,856
India	2,099	France	1,691
Syria	2,000	Zimbabwe	1,684
Total for Others	53676		54137
Others not listed	8,669		8,739
Grand Total	62890		62876